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MANAGEMENT INITIATIVE DECISION



MID 913

TITLE: Implementation of a 2-Year Planning, Programming, Budgeting, and Execution Process

DATE: May 22, 2003

DECISION: The Deputy Secretary approved the alternative estimate.

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SUBJECT: Implementation of a 2-Year Planning, Programming, Budgeting, and Execution Process

DOD COMPONENTS: All

SUMMARY OF EVALUATION: The Defense Planning Guidance (DPG) tasked the Senior Executive Council to lead a study and recommend improvements to the DoD decisionmaking process. This MID implements measures from this study - the DPG 20 Streamlining Decision Process - which will increase the effectiveness of the Planning, Programming, and Budgeting process and add additional emphasis to Execution. This process will be known as the Planning, Programming, Budgeting, and Execution (PPBE) process. This MID provides the basic requirements needed to initiate this process in FY 2005.

- A 2-year cycle will guide the PPBE process.
- Because the Department is implementing this process in the second year of a 2-year cycle, the FY 2005 cycle will likely require additional instructions. The planning, programming, and budgeting procedures not addressed in this MID will continue to operate as in years past, or until additional instructions are provided.
- Current processes and systems will continue to be used until they are replaced, in coordination with the DoD Components.
- The Under Secretary of Defense (Comptroller) (USD(C)) and the Director, Program Analysis and Evaluation (DPA&E) will provide additional details under separate cover on the FY 2005 program and budget submissions.
- Title 10 responsibilities and requirements do not change, including the CJCS role as the principal military advisor to the Secretary of Defense on all military matters, including the budget.

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DETAIL OF EVALUATION:

The Planning, Programming, and Budgeting System (PPBS) process has served as the Department's central strategic planning, program development, and resource determination process since its debut in the 1960s. The principal purpose of PPBS has been to integrate the information necessary to craft effective plans and programs that address existing and emerging needs into a disciplined review and approval process.

The Department's processes for strategic planning, identification of needs for military capabilities, systems development and acquisition, and program and budget development are not well integrated. The strategic planning process does not explicitly drive the identification of needs for military capabilities and acquisition processes. In addition, the program and budget development processes, while imposing fiscal discipline, often have failed to integrate strategic decisions into a coherent defense program.

A major goal of the Department is to strategically link any major decision - for acquisition, force structure, operational concepts, and infrastructure, for example - both to the DPG and to program and budget development. This MID implements interim initiatives from the DPG 20 study and several measures to increase the effectiveness of the programming and budgeting process and add additional emphasis to execution. This process will be known as the Planning, Programming, Budgeting, and Execution (PPBE) process.

General Actions

The DoD will evolve from an annual Program Objective Memorandum (POM)/Budget Estimate Submission (BES) cycle to a biennial (2-year) cycle starting with an abbreviated review and amendment cycle for FY 2005. The Department will formulate 2-year budgets and use the off year to focus on budget execution and program performance. A combined program and budget review will continue.

The 2-year cycle will guide the Department's strategy development, identification of needs for military

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capabilities, program planning, resource estimation and allocation, acquisition, and other decision processes. This change will more closely align DoD's internal cycle with external requirements embedded in statute and administration policy. The Table and Chart below broadly summarize the 2-year cycle within a 4-year time period.

4 Years in the 2-Year Cycle

Year 1: Review and Refinement	Year 3: Execution of Guidance
<ul style="list-style-type: none"> • Early National Security Strategy 	---
<ul style="list-style-type: none"> • Restricted fiscal guidance 	<ul style="list-style-type: none"> • Restricted fiscal guidance
<ul style="list-style-type: none"> • Off-year DPG, as required (tasking studies indicative of new Administration's priorities; incorporating fact-of-life acquisition changes, completed PDM studies, and congressional changes) 	<ul style="list-style-type: none"> • Off-year DPG, as required (tasking studies; incorporating fact-of-life acquisition program changes, PDM studies and congressional changes)
<ul style="list-style-type: none"> • Limited Changes to Baseline Program 	<ul style="list-style-type: none"> • Limited Changes to Baseline Program
<ul style="list-style-type: none"> • Program, Budget, and Execution Review initializes the on-year DPG 	<ul style="list-style-type: none"> • Program, Budget, and Execution Review initializes the on-year DPG
<ul style="list-style-type: none"> • President's Budget and Congressional Justification 	<ul style="list-style-type: none"> • President's Budget and Congressional Justification

Year 2: Full PPBE Cycle - Formalizing the Agenda	Year 4: Full PPBE Cycle - Ensuring the Legacy
<ul style="list-style-type: none"> • Quadrennial Defense Review 	---
<ul style="list-style-type: none"> • Fiscal guidance issued 	<ul style="list-style-type: none"> • Fiscal guidance issued
<ul style="list-style-type: none"> • On-year DPG (implementing QDR) 	<ul style="list-style-type: none"> • On-year DPG (refining alignment of strategy and programs)
<ul style="list-style-type: none"> • POM/BES submissions 	<ul style="list-style-type: none"> • POM/BES submissions
<ul style="list-style-type: none"> • Program, Budget, and Execution Review 	<ul style="list-style-type: none"> • Program, Budget, and Execution Review
<ul style="list-style-type: none"> • President's Budget and Congressional Justification 	<ul style="list-style-type: none"> • President's Budget and Congressional Justification

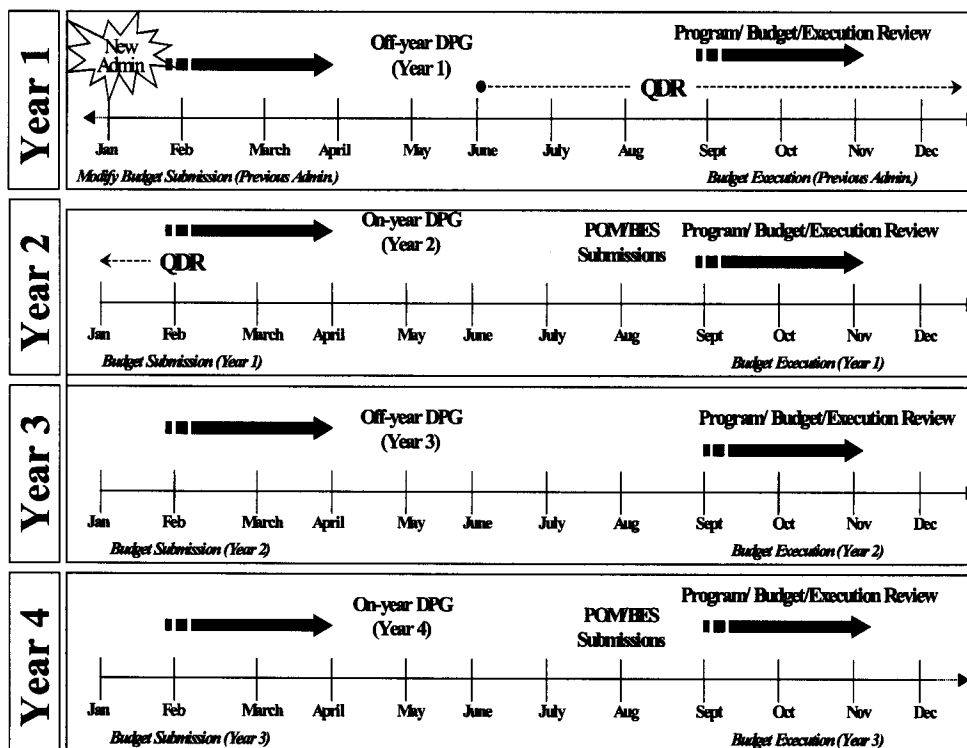
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No. 913

4 Years in the 2-Year Cycle



Strategy Planning Actions

The Quadrennial Defense Review (QDR) will continue to serve as the Department's major statement of defense strategy and business policy. It also will continue to be the single, hierarchical link throughout DoD that integrates and influences all internal decision processes. Section 922 of Public Law 107-314, the Bob Stump National Defense Authorization Act for FY 2003, amends section 118 of Title 10 of the United States Code to align the QDR submission date with that of the President's Budget in the second year of an administration.

The Under Secretary of Defense (Policy) (USD(P)) and the DPA&E will work together to develop rough order-of-magnitude

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No. 913

estimates of the funding and manpower implications of initiatives directed in the DPG, and will provide those estimates to the Deputy Secretary before publication of the DPG.

The DPG-directed studies should address issues of strategy and problems requiring extensive, long-term analysis to support the development of further guidance. Program and budget reviews should identify items requiring short-term action and then direct actions in Program Decision Memoranda (PDMs) and Program Budget Decisions (PBDs).

The off-year DPG will be issued at the discretion of the Secretary of Defense. The off-year DPG will not introduce major changes to the defense program, except as specifically directed by the Secretary or Deputy Secretary of Defense. However, a small and discrete number of programming changes will be required to reflect real world changes and as part of the continuing need to align the defense program with the defense strategy. Any programming direction will be fiscally informed, with cost estimates, to facilitate identification of appropriate offsets. A principal purpose of the off-year DPG will be to provide guidance on planning and analysis required to identify major program choices for the following year's planning guidance.

Technology and Process Actions

The Department can better orchestrate and time the processes and products that support the program and budget decision processes. Recent efforts to conduct concurrent program and budget reviews and streamline exhibits were good first steps toward reducing the complexity of the program and budget review cycle.

The next logical step is for the USD(C) and the DPA&E to complete the process of merging their data collection and management processes into a single standardized programming and budgeting data system. The USD(C) and the DPA&E - in collaboration with the Under Secretaries of Defense, the Joint Staff, and the Secretaries of the Military Departments - will develop an information infrastructure which integrates

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No. 913

the collection, storage, and dissemination of resource allocation data.

This infrastructure is being designed to standardize decisionmaking and reporting for DoD planning, military capabilities definition, acquisition oversight, and resource allocation and provide real time information on the impact of resource allocation decisions on the Department's programs. This implementation should include a revamped Program Element (PE) structure and should endeavor to maintain a direct link to clearly defined military capabilities. The USD(C) and the DPA&E should complete the implementation in time for the FY 2006 budget review. These efforts will be consistent with the efforts in the Business Management Modernization Program (BMMP) and its associated Business Enterprise Architecture (BEA).

The BMMP and the BEA, when fully developed, will be used to provide decisionmakers with the information they need to manage and to improve support to the war fighters. Domains have been created to lead the process transformation in seven business areas to create a program structure that will identify an integrated process view of business operations and establish performance measures.

Programming, Budgeting, and Execution Actions

The USD(C) and the DPA&E will issue detailed guidance related to the FY 2005 POM/BES update cycle. The first full blown 2-year program/budget submission will be due in the fall of calendar year 2004. It will address funding requirements for FYs 2006 and 2007 as the budget years and FYs 2006-2011 as the Future Years Defense Program (FYDP) years.

In the program review, the DPA&E will closely examine compliance with prior years' PDMs and with the priorities identified by the Secretary in the DPG. The examination will include assessments of the implementation and programmatic execution of the Secretary's decisions and guidance.

In the budget review, the USD(C) will use the metrics that the Components submit as part of the budget estimate

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submission to make informed resource allocation decisions. More time is currently spent deciding how much to spend on a program (input) rather than on what is received for the money (output). The Department must shift its focus to program performance and results, and then use that assessment in making budget decisions. The USD(C) and the DPA&E will review program performance to assess the degree to which budget estimates sustain and improve the programmatic results.

Performance metrics, existing or to be developed, will be the analytical underpinning to ascertain whether an appropriate allocation of resources exists in current budgets. Metrics should measure the performance that is most relevant to a particular functional area.

A budget execution review will provide the opportunity to make assessments concerning current and previous resource allocations and whether the Department achieved its planned performance goals. To the extent performance goals of an existing program are not being met, recommendations may be made to replace that program with alternative solutions or to make appropriate funding adjustments to correct resource imbalances. Program and budget change proposals will seek to adjust current allocations of resources in order to achieve desired performance goals.

The procedures and policies governing the control of PPBS documents that were established in Change 1 to DoD Directive 7045.14, Planning, Programming, and Budgeting System (PPBS), apply in their entirety to documents prepared in support and execution of the PPBE process. The USD(C), the DPA&E, and the Chairman of the Joint Chiefs of Staff will revise all applicable guidance, as necessary. However, update of guidance for name changes only is not necessary; update the name of the process in the next revision for substantive changes.

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FY 2005-2009 Submission

FY 2005 is the third year of the 4-year cycle. The FY 2004 President's Budget established priorities consistent with the Secretary's goals for the Department for the near-term. Therefore, the FY 2004 President's Budget will be the baseline for the FY 2005-2009 Program/Budget Review and for the FY 2005 President's Budget.

The steps to prepare the FY 2005-2009 Program/Budget Review and the FY 2005 President's Budget follow:

- Components will not forward a POM or a BES. A limited review process will occur.
- For the program submission, each Component may submit Program Change Proposals (PCPs) for FY 2005-2009, as long as each PCP is fully resourced. The PCP review process will be similar to the Program Review process. The DPA&E will determine by August 15, 2003 which PCPs to accept for further review. The Components will submit detailed programmatic and budget information for accepted PCPs by September 1, 2003. Accepted PCPs are processed and issues resolved through PDMs.
- For the budget submission, each Component may submit Budget Change Proposals (BCPs) for FY 2005, as long as each BCP is fully resourced. BCPs cover fact-of-life changes (e.g., cost increases, schedule delays, management reform savings, workload changes, etc.) and changes resulting from congressional actions. The USD(C) will review and resolve issues through Program Budget Decisions (PBDs).
- PCPs and BCPs must clearly identify all Intelligence and Joint Program resources. As in the past, the Director of Central Intelligence will coordinate on all actions that use any National Foreign Intelligence Program funds as an offset.
- The USD(C) and the DPA&E will provide further details on the program and budget submissions separately.

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The following tentative schedule for FY 2005-2009 specifies the critical dates in the process:

FY 2005-2009 Program and Budget Review Schedule

December 12, 2002	PDM Signed
August 1, 2003	Program Change Proposals due to the DPA&E for program execution review
August 15, 2003	PCP Dispositions issued
September 1, 2003	Detailed Programmatic and Budget info submitted for accepted PCPs
October 1, 2003	Budget Change Proposals are due to the USD(C) for budget execution review
November 1, 2003	PDM issued
November 21, 2003	First round of PBDs completed
November 24, 2003	OMB Passback
December 9-10, 2003	Major Budget Issues
December 12, 2003	Final FY 2005 Budget Decisions
December 19, 2003	FY 2005 Budget Lock

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